

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Justin Nieman	President	2008
Donna Kunde	Vice President	2007
Tom Kramer	Board Member	2009
Leola Kay Harris	Board Member	2009
John Zietlow	Board Member	2008
Board of Education (After September 2007 Election)		
Justin Nieman	President	2008
Donna Kunde	Vice President	2010
Tom Kramer	Board Member	2009
Leola Kay Harris	Board Member	2009
John Zietlow	Board Member	2008
School Officials		
Doug Tuetken	Superintendent	2008
Donna Pilgrim	District Secretary/ Business Manager	2008
Sue Seitz	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Maquoketa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District, Delhi, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2009 on our consideration of Maquoketa Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,983,722 in fiscal 2007 to \$7,431,537 in fiscal 2008, while General Fund expenditures increased from \$6,884,628 in fiscal 2007 to \$7,335,539 in fiscal 2008. This resulted in an increase in the District's fund balance from \$1,376,343 in fiscal 2007 to \$1,472,341 in fiscal 2008, which was a 6.98% increase over the prior year.
- An increase in local option sales and service tax during the year, allowed the Capital Projects fund balance to increase from \$744,981 to \$780,383. It also allowed for a \$300,000 transfer to the Debt Service to pay for a portion of the District's bonded indebtedness.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Maquoketa Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Maquoketa Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Maquoketa Valley Community School District Annual Financial Report

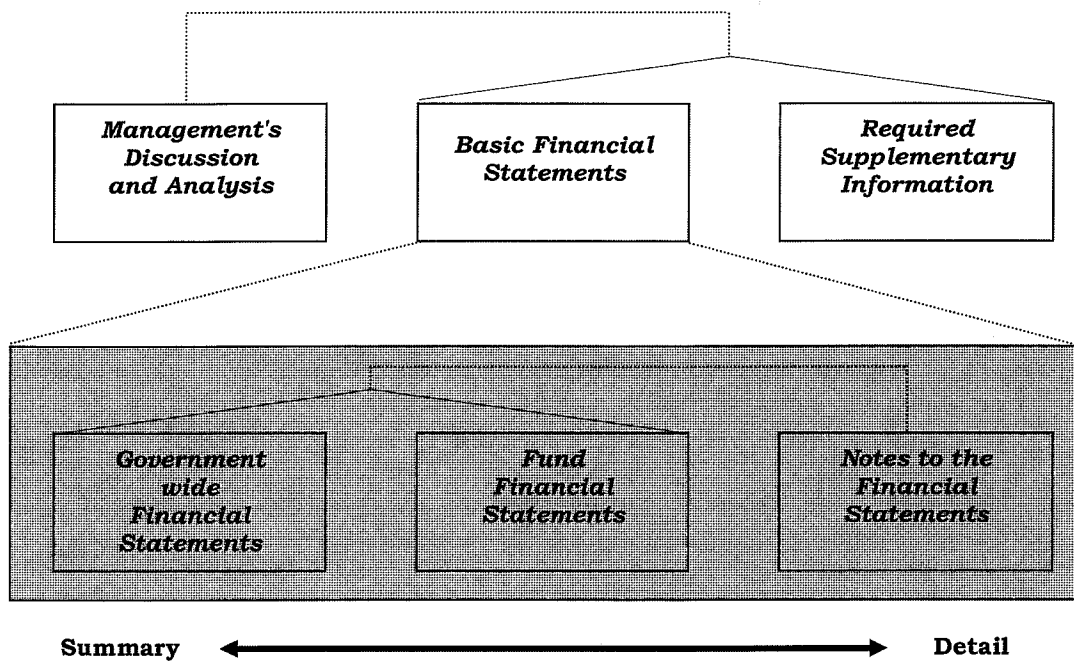


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities June 30,		Business-Type Activities June 30,		Total School District June 30,		Total Change June 30, 2007-08
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 6,745,069	6,362,082	121,483	126,510	6,866,552	6,488,592	5.82%
Capital assets	9,153,013	9,294,831	43,148	55,617	9,196,161	9,350,448	-1.65%
Total assets	15,898,082	15,656,913	164,631	182,127	16,062,713	15,839,040	1.41%
Long-term obligations	5,222,427	5,724,390	0	0	5,222,427	5,724,390	-8.77%
Other liabilities	3,659,245	3,593,104	7,229	4,469	3,666,474	3,597,573	1.92%
Total liabilities	8,881,672	9,317,494	7,229	4,469	8,888,901	9,321,963	-4.65%
Net assets:							
Invested in capital assets, net of related debt	4,208,013	3,939,831	43,148	55,617	4,251,161	3,995,448	6.40%
Restricted	1,378,669	1,168,317	0	0	1,378,669	1,168,317	18.00%
Unrestricted	1,429,728	1,231,271	114,254	122,041	1,543,982	1,353,312	14.09%
Total net assets	\$ 7,016,410	6,339,419	157,402	177,658	7,173,812	6,517,077	10.08%

The District's combined net assets increased by 10.08% or \$656,735 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 18.00% or \$210,352 over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 14.09% or \$190,670 from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 507,093	449,846	200,982	223,148	708,075	672,994	5.21%
Operating grants and contributions and restricted interest	968,910	869,069	161,507	149,597	1,130,417	1,018,666	10.97%
General revenues:							
Property tax	3,497,391	3,473,022	0	0	3,497,391	3,473,022	0.70%
Local option sales and service tax	483,869	496,201	0	0	483,869	496,201	-2.49%
Unrestricted state grants	3,184,833	2,979,574	0	0	3,184,833	2,979,574	6.89%
Other	228,988	207,392	4,264	3,848	233,252	211,240	10.42%
Total revenues	8,871,084	8,475,104	366,753	376,593	9,237,837	8,851,697	4.36%
Program expenses:							
Governmental activities:							
Instructional	5,056,607	4,440,563	0	0	5,056,607	4,440,563	13.87%
Support services	2,359,266	2,532,051	11,571	13,590	2,370,837	2,545,641	-6.87%
Non-instructional programs	0	0	375,438	367,151	375,438	367,151	2.26%
Other expenses	778,220	756,757	0	0	778,220	756,757	2.84%
Total expenses	8,194,093	7,729,371	387,009	380,741	8,581,102	8,110,112	5.81%
Change in net assets	676,991	745,733	(20,256)	(4,148)	656,735	741,585	-11.44%
Net assets beginning of year	6,339,419	5,593,686	177,658	181,806	6,517,077	5,775,492	12.84%
Net assets end of year	\$ 7,016,410	6,339,419	157,402	177,658	7,173,812	6,517,077	10.08%

In fiscal 2008, property tax and unrestricted state grants account for 75.33% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.84% of the revenue from business type activities.

The District's total revenues were \$9,237,837 of which \$8,871,084 was for governmental activities and \$366,753 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.36% in revenues and a 5.81% increase in expenses. The increase in expenditures was related to the increases in the instructional expenses.

Governmental Activities

Revenues for governmental activities were \$8,871,084 and expenses were \$8,194,093. The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,056,607	4,440,563	13.87%	3,884,096	3,412,081	13.83%
Support services	2,359,266	2,532,051	-6.82%	2,350,407	2,520,667	-6.75%
Other expenses	778,220	756,757	2.84%	483,587	477,708	1.23%
Totals	\$ 8,194,093	7,729,371	6.01%	6,718,090	6,410,456	4.80%

- A portion of the cost financed by users of the District's programs was \$507,093.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$968,910.
- The net cost portion of governmental activities was financed with \$3,497,391 in property tax, \$483,869 in local option sales and services tax, \$3,184,833 in unrestricted state grants, unrestricted investment earnings of \$146,434, and \$82,554 in other general revenue.

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$366,753 in 2008. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses of the District's business-type activities were \$387,009 in 2008.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Maquoketa Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$3,101,212, an increase of \$315,685 above last years ending fund balances of \$2,785,527.

Governmental Fund Highlights

- The increase in revenues in the General Fund was primarily due to an increase in state sources. The increase in expenditures was primarily due to increases in instructional and support services expenses. The increase in revenues was enough to offset the increase in expenditures, to ensure the increase in the fund balance by \$95,998.
- The Capital Projects fund balance increased \$35,402 due to the District receiving more in local option sales and service tax during fiscal 2008.
- The Physical Plant and Equipment Levy fund balance increased \$44,650. Although revenues decreased and expenditures decreased, as well as, compared to fiscal 2007, the PPEL fund balance was still able to show the increase in fund balance.
- The revenues decreased in the Debt Service Fund, due to the decrease in taxes levied. A transfer of local option sales and service tax (LOSST) monies from the Capital Projects fund of \$300,000 was used to help make payments on the Districts bonded indebtedness.

- The Management Levy fund balance increased from \$256,308 in 2007, to \$390,015 in 2008, due to decreased support services expenditures.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$177,658 at June 30, 2007 to \$157,402 at June 30, 2008, representing a decrease of 11.40% or \$ 20,256.

BUDGETARY HIGHLIGHTS

The District's revenues were \$229,067 less than budgeted revenues, a variance of 2.42%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$9,196,161, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$400,839.

The original cost of the District's capital assets was \$13,219,395. Governmental funds account for \$12,954,902, with the remainder of \$264,493 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$398,551 at June 30, 2008, compared to \$354,441 reported at June 30, 2007. The increase in machinery and equipment was due to the District's purchase of a two new buses.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 50,079	50,079	0	0	50,079	50,079	0.00%
Buildings	8,269,058	8,473,698	0	0	8,269,058	8,473,698	-2.42%
Improvements other than buildings	478,473	472,230	0	0	478,473	472,230	1.32%
Machinery and equipment	355,403	298,824	43,148	55,617	398,551	354,441	12.44%
Total	\$ 9,153,013	9,294,831	43,148	55,617	9,196,161	9,350,448	-1.65%

Long-Term Debt

At year-end, the District had \$5,222,427 in general obligation and other long-term debt outstanding. This represents a decrease of 8.77% from last year's balance of \$5,724,390. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 4,945,000	5,355,000	-7.66%
Early retirement	277,427	369,390	-24.90%
Totals	\$ 5,222,427	5,724,390	-8.77%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District 2008-2009 certified enrollment decreased 19.3 students, and a steady decline is expected in the future.
- Economic development within the District does not attract businesses that would significantly increase the assessed valuation, which shifts the funding to property taxes.
- Local options sales and service tax collections have allowed the district to pay a portion of the bonded indebtedness, thus reducing the amount of taxes levied in the Debt Service fund.
- The increases in utility and transportation costs are still a concern.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donna Pilgrim, Board Secretary, Maquoketa Valley Community School District, 210 South Street, P.O. Box 186, Delhi, Iowa, 52223.

BASIC FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,894,163	114,727	3,008,890
Receivables:			
Property tax:			
Delinquent	76,145	0	76,145
Succeeding year	3,546,331	0	3,546,331
Accounts	4,668	0	4,668
Due from other governments	223,762	60	223,822
Inventories	0	6,696	6,696
Capital assets, net of accumulated depreciation (Note 4)	9,153,013	43,148	9,196,161
Total Assets	15,898,082	164,631	16,062,713
Liabilities			
Accounts payable	27,067	134	27,201
Due to other governments	39,842	0	39,842
Salaries and benefits payable	29,827	2,006	31,833
Accrued interest payable	15,388	0	15,388
Deferred revenue:			
Succeeding year property tax	3,546,331	0	3,546,331
Other	790	0	790
Unearned revenue	0	5,089	5,089
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	420,000	0	420,000
Early retirement	75,727	0	75,727
Portion due after one year:			
General obligation bonds payable	4,525,000	0	4,525,000
Early retirement	201,700	0	201,700
Total Liabilities	8,881,672	7,229	8,888,901
Net Assets			
Invested in capital assets, net of related debt	4,208,013	43,148	4,251,161
Restricted for:			
Talented and gifted	5,117	0	5,117
Beginning teacher mentoring	596	0	596
Salary improvement program	205	0	205
Additional teacher contract day	5,587	0	5,587
Professional development	1,646	0	1,646
Market factor	6,009	0	6,009
Education excellence, phase II	2,066	0	2,066
Market factor incentives	5,999	0	5,999
Management levy	112,588	0	112,588
Physical plant and equipment levy	129,711	0	129,711
Capital projects	780,383	0	780,383
Debt service	246,653	0	246,653
Other special revenue purposes	82,109	0	82,109
Unrestricted	1,429,728	114,254	1,543,982
Total Net Assets	\$ 7,016,410	157,402	7,173,812

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,453,667	169,213	602,277	(2,682,177)	0	(2,682,177)
Special instruction	780,096	99,974	46,195	(633,927)	0	(633,927)
Other instruction	822,844	237,688	17,164	(567,992)	0	(567,992)
	<u>5,056,607</u>	<u>506,875</u>	<u>665,636</u>	<u>(3,884,096)</u>	<u>0</u>	<u>(3,884,096)</u>
Support services:						
Student services	256,352	0	0	(256,352)	0	(256,352)
Instructional staff services	245,720	0	0	(245,720)	0	(245,720)
Administration services	808,280	0	0	(808,280)	0	(808,280)
Operation and maintenance of plant services	680,856	0	0	(680,856)	0	(680,856)
Transportation services	368,058	218	8,641	(359,199)	0	(359,199)
	<u>2,359,266</u>	<u>218</u>	<u>8,641</u>	<u>(2,350,407)</u>	<u>0</u>	<u>(2,350,407)</u>
Other expenditures:						
Facilities acquisitions	15,318	0	0	(15,318)	0	(15,318)
Long-term debt interest	197,429	0	0	(197,429)	0	(197,429)
AEA flowthrough	294,633	0	294,633	0	0	0
Depreciation(unallocated)*	270,840	0	0	(270,840)	0	(270,840)
	<u>778,220</u>	<u>0</u>	<u>294,633</u>	<u>(483,587)</u>	<u>0</u>	<u>(483,587)</u>
Total governmental activities	8,194,093	507,093	968,910	(6,718,090)	0	(6,718,090)
Business-Type activities:						
Support services:						
Administration services	7,148	0	0	0	(7,148)	(7,148)
Operation and maintenance of plant services	4,422	0	0	0	(4,422)	(4,422)
	<u>11,570</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,570)</u>	<u>(11,570)</u>
Non-instructional programs:						
Nutrition services	375,439	200,982	161,507	0	(12,950)	(12,950)
Total business-type activities	<u>387,009</u>	<u>200,982</u>	<u>161,507</u>	<u>0</u>	<u>(24,520)</u>	<u>(24,520)</u>
Total	<u>\$ 8,581,102</u>	<u>708,075</u>	<u>1,130,417</u>	<u>(6,718,090)</u>	<u>(24,520)</u>	<u>(6,742,610)</u>
General Revenues:						
Local tax levied for:						
General purposes				\$ 3,115,798	0	3,115,798
Debt service				308,639	0	308,639
Capital outlay				72,954	0	72,954
Local option sales and services tax				483,869	0	483,869
Unrestricted state grants				3,184,833	0	3,184,833
Unrestricted investment earnings				146,434	4,264	150,698
Other general revenues				82,554	0	82,554
				<u>7,395,081</u>	<u>4,264</u>	<u>7,399,345</u>
Total general revenues				7,395,081	4,264	7,399,345
Changes in net assets				676,991	(20,256)	656,735
Net assets beginning of year				6,339,419	177,658	6,517,077
Net assets end of year				<u>\$ 7,016,410</u>	<u>157,402</u>	<u>7,173,812</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,413,916	384,014	643,480	452,753	2,894,163
Receivables:					
Property tax:					
Delinquent	61,894	5,982	0	8,269	76,145
Succeeding year	2,976,932	200,000	0	369,399	3,546,331
Accounts	2,992	19	40	1,617	4,668
Due from other governments	85,383	0	138,154	225	223,762
Total Assets	\$ 4,541,117	590,015	781,674	832,263	6,745,069
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 21,458	0	1,291	4,318	27,067
Due to other governments	39,842	0	0	0	39,842
Salaries and benefits payable	29,754	0	0	73	29,827
Deferred revenue:					
Succeeding year property tax	2,976,932	200,000	0	369,399	3,546,331
Other	790	0	0	0	790
Total liabilities	3,068,776	200,000	1,291	373,790	3,643,857
Fund balances:					
Reserved for:					
Debt Service	0	0	0	246,653	246,653
Talented and gifted	5,117	0	0	0	5,117
Beginning teacher mentoring	596	0	0	0	596
Salary improvement program	205	0	0	0	205
Additional teacher contract day	5,587	0	0	0	5,587
Professional development	1,646	0	0	0	1,646
Market factor	6,009	0	0	0	6,009
Educational excellence, phase II	2,066	0	0	0	2,066
Market factor incentives	5,999	0	0	0	5,999
Unreserved	1,445,116	390,015	780,383	211,820	2,827,334
Total fund balances	1,472,341	390,015	780,383	458,473	3,101,212
Total Liabilities and Fund Balances	\$ 4,541,117	590,015	781,674	832,263	6,745,069

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15) \$ 3,101,212

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 9,153,013

Accrued interest payable on long-term liabilities is not due
and payable in the current period and, therefore, is not
reported as a liability in the governmental funds. (15,388)

Long-term liabilities, including bonds payable and early
retirement, are not due and payable in the current period
and, therefore, are not reported in the funds. (5,222,427)

Net assets of governmental activities (page 13) \$ 7,016,410

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Management Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,841,243	274,555	483,869	381,593	3,981,260
Tuition	269,187	0	0	0	269,187
Other	184,912	13,539	40,601	245,006	484,058
State sources	3,902,041	159	0	225	3,902,425
Federal sources	234,154	0	0	0	234,154
Total revenues	7,431,537	288,253	524,470	626,824	8,871,084
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,389,755	109,878	41,915	0	3,541,548
Special instruction	780,096	0	0	0	780,096
Other instruction	586,454	0	0	236,390	822,844
	4,756,305	109,878	41,915	236,390	5,144,488
Support services:					
Student services	256,352	0	0	0	256,352
Instructional staff services	245,720	0	0	0	245,720
Administration services	807,880	0	0	400	808,280
Operation and maintenance of plant services	671,817	36,666	0	6,473	714,956
Transportation services	302,832	8,002	66,485	17,300	394,619
	2,284,601	44,668	66,485	24,173	2,419,927
Other expenditures:					
Facilities acquisitions	0	0	67,868	19,893	87,761
Long-term debt:					
Principal	0	0	0	410,000	410,000
Interest	0	0	0	198,590	198,590
AEA flowthrough	294,633	0	0	0	294,633
	294,633	0	67,868	628,483	990,984
Total expenditures	7,335,539	154,546	176,268	889,046	8,555,399
Excess(deficiency) of revenues over(under) expenditures	95,998	133,707	348,202	(262,222)	315,685
Other financing sources(uses):					
Transfers in	0	0	0	312,800	312,800
Transfers out	0	0	(312,800)	0	(312,800)
Total other financing sources(uses)	0	0	(312,800)	312,800	0
Net change in fund balances	95,998	133,707	35,402	50,578	315,685
Fund balances beginning of year	1,376,343	256,308	744,981	407,895	2,785,527
Fund balances end of year	\$ 1,472,341	390,015	780,383	458,473	3,101,212

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds(page 17) \$ 315,685

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 246,552	
Depreciation expense	(388,370)	(141,818)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Repaid	410,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due.

In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,161
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	91,963
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Changes in net assets of governmental activities(page 14)	<u>\$ 676,991</u>
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SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 114,727
Due from other governments	60
Inventories	6,696
Capital assets, net of accumulated depreciation (Note 4)	<u>43,148</u>
Total Assets	<u>164,631</u>
Liabilities	
Accounts payable	134
Salaries and benefits payable	2,006
Unearned revenue	<u>5,089</u>
Total Liabilities	<u>7,229</u>
Net Assets	
Invested in capital assets	43,148
Unrestricted	<u>114,254</u>
Total Net Assets	<u><u>\$ 157,402</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 192,710
Other local revenue	<u>8,272</u>
Total operating revenue	<u>200,982</u>
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	4,036
Benefits	552
Services	2,000
Other	<u>560</u>
	<u>7,148</u>
Operation and maintenance of plant services:	
Services	<u>4,422</u>
	<u>11,570</u>
Non-instructional programs:	
Food service operations:	
Salaries	158,517
Benefits	21,506
Services	61
Supplies	181,447
Other	1,439
Depreciation	<u>12,469</u>
	<u>375,439</u>
TOTAL OPERATING EXPENSES	<u>387,009</u>
OPERATING LOSS	<u>(186,027)</u>
NON-OPERATING REVENUES:	
State sources	4,767
Federal sources	156,740
Interest income	<u>4,264</u>
TOTAL NON-OPERATING REVENUES	<u>165,771</u>
Change in net assets	(20,256)
Net assets beginning of year	<u>177,658</u>
Net assets end of year	<u>\$ 157,402</u>

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 193,330
Cash received from miscellaneous operating activities	8,272
Cash payments to employees for services	(182,605)
Cash payments to suppliers for goods or services	(168,324)
Net cash used in operating activities	<u>(149,327)</u>
Cash flows from non-capital financing activities:	
State grants received	4,767
Federal grants received	135,720
Net cash provided by non-capital financing activities	<u>140,487</u>
Cash flows from investing activities:	
Interest on investments	<u>4,264</u>
Net decrease in cash and cash equivalents	(4,576)
Cash and cash equivalents at beginning of year	<u>119,303</u>
Cash and cash equivalents at end of year	<u>\$ 114,727</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (186,027)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,960
Depreciation	12,469
Decrease in inventories	511
Increase in accounts payable	134
Increase in salaries and benefits payable	2,006
Increase in unearned revenue	620
Net cash used in operating activities	<u>\$ (149,327)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 114,727</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$20,960.

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 4,429</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u><u>\$ 4,429</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 197</u>
Deductions	<u>0</u>
Change in net assets	197
Net assets beginning of year	<u>4,232</u>
Net assets end of year	<u>\$ 4,429</u>

SEE NOTES TO FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Maquoketa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, special education and pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Delhi, Earlville and Hopkinton, Iowa, and the predominate agricultural territory in Delaware county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Maquoketa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Maquoketa Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Delaware County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Management Levy Fund is utilized to account for the payment of property insurance.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of level the level or risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates of Deposit are stated at fair market value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

	Fair Value
Certificates of Deposits	\$ 1,075,118

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	300,000
Special Revenue: Physical Plant and Equipment Levy	Capital Projects	12,800
Total		\$ 312,800

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,079	0	0	50,079
Total capital assets not being depreciated	50,079	0	0	50,079
Capital assets being depreciated:				
Buildings	10,685,418	21,624	0	10,707,042
Land improvements	922,341	50,819	11,723	961,437
Machinery and equipment	1,103,864	174,109	41,629	1,236,344
Total capital assets being depreciated	12,711,623	246,552	53,352	12,904,823
Less accumulated depreciation for:				
Buildings	2,211,720	226,264	0	2,437,984
Land improvements	450,111	44,576	11,723	482,964
Machinery and equipment	805,040	117,530	41,629	880,941
Total accumulated depreciation	3,466,871	388,370	53,352	3,801,889
Total capital assets being depreciated, net	9,244,752	(141,818)	0	9,102,934
Governmental activities capital assets, net	\$ 9,294,831	(141,818)	0	9,153,013

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 264,493	0	0	264,493
Less accumulated depreciation	208,876	12,469	0	221,345
Business-type activities capital assets, net	\$ 55,617	(12,469)	0	43,148

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 4,082

Support services:

Operation and maintenance of plant 3,168

Transportation 110,280

Unallocated depreciation 270,840

Total governmental activities depreciation expense \$ 388,370

Business-type activities:

Food services \$ 12,469

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,355,000	0	410,000	4,945,000	420,000
Early retirement	369,390	0	91,963	277,427	75,727
Total	\$ 5,724,390	0	501,963	5,222,427	495,727

Long-term Debt

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of September 1, 2005			
		Principal	Interest	Total	
2009	3.40	% \$ 420,000	184,650	604,650	
2010	3.40	435,000	170,370	605,370	
2011	3.50	450,000	155,580	605,580	
2012	3.55	465,000	139,830	604,830	
2013	3.65	480,000	123,322	603,322	
2014-2018	3.75-4.05	2,695,000	890,644	3,585,644	
Total		\$ 4,945,000	1,664,396	6,609,396	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The employee must have worked an average of twenty-five or more hours per week and during the last 15 years the employee has worked at least thirty-six weeks per year. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The District paid \$91,963 in early retirement benefits during the year ended June 30, 2008.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$274,686, \$244,069, and \$238,086 respectively, equal to the required contributions for each year.

(7) Risk Management

Maquoketa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$294,633 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,734,505	205,246	4,939,751	5,222,633	5,222,633	(282,882)
State sources	3,902,425	4,767	3,907,192	4,022,271	4,022,271	(115,079)
Federal sources	234,154	156,740	390,894	222,000	222,000	168,894
Total revenues	8,871,084	366,753	9,237,837	9,466,904	9,466,904	(229,067)
Expenditures:						
Instruction	5,144,488	0	5,144,488	6,603,025	6,603,025	1,458,537
Support services	2,419,927	11,570	2,431,497	3,917,110	3,917,110	1,485,613
Non-instructional programs	0	375,439	375,439	585,006	585,006	209,567
Other expenditures	990,984	0	990,984	1,178,598	1,178,598	187,614
Total expenditures	8,555,399	387,009	8,942,408	12,283,739	12,283,739	3,341,331
Excess(deficiency) of revenues over(under) expenditures	315,685	(20,256)	295,429	(2,816,835)	(2,816,835)	3,112,264
Balance beginning of year	2,785,527	177,658	2,963,185	2,816,835	2,816,835	146,350
Balance end of year	\$ 3,101,212	157,402	3,258,614	0	0	3,258,614

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds				Total
	Physical		Total	Debt	Other
	Student	Equipment	Special	Service	Nonmajor
	Activity	Levy	Revenue		Governmental
					Funds
Assets					
Cash and pooled investments	\$ 80,729	132,059	212,788	239,965	452,753
Receivables:					
Property tax:					
Current year delinquent	0	1,581	1,581	6,688	8,269
Succeeding year	0	74,149	74,149	295,250	369,399
Accounts	1,593	24	1,617	0	1,617
Due from other governments	225	0	225	0	225
Total Assets	\$ 82,547	207,813	290,360	541,903	832,263
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 365	3,953	4,318	0	4,318
Salaries and benefits payable	73	0	73	0	73
Deferred revenue:					
Succeeding year property tax	0	74,149	74,149	295,250	369,399
Total Liabilities	438	78,102	78,540	295,250	373,790
Fund balances:					
Reserved:					
Debt Service	0	0	0	246,653	246,653
Unreserved	82,109	129,711	211,820	0	211,820
Total fund balances	82,109	129,711	211,820	246,653	458,473
Total Liabilities and Fund Balances	\$ 82,547	207,813	290,360	541,903	832,263

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Total	
	Physical			Other	
	Plant and			Nonmajor	
	Student	Equipment		Debt	Governmental
	Activity	Levy	Total	Service	Funds
REVENUES:					
Local sources:					
Local tax	\$ 0	72,954	72,954	308,639	381,593
Other	228,289	2,519	230,808	14,198	245,006
State sources	0	43	43	182	225
TOTAL REVENUES	228,289	75,516	303,805	323,019	626,824
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	236,390	0	236,390	0	236,390
Support services:					
Administration services	0	0	0	400	400
Operation and maintenance of plant services	0	6,473	6,473	0	6,473
Student transportation	0	17,300	17,300	0	17,300
Other expenditures:					
Facilities acquisitions	0	19,893	19,893	0	19,893
Long-term debt:					
Principal	0	0	0	410,000	410,000
Interest	0	0	0	198,590	198,590
TOTAL EXPENDITURES	236,390	43,666	280,056	608,990	889,046
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(8,101)	31,850	23,749	(285,971)	(262,222)
OTHER FINANCING SOURCES:					
Transfers in	0	12,800	12,800	300,000	312,800
NET CHANGE IN FUND BALANCE	(8,101)	44,650	36,549	14,029	50,578
FUND BALANCE BEGINNING OF YEAR	90,210	85,061	175,271	232,624	407,895
FUND BALANCE END OF YEAR	\$ 82,109	129,711	211,820	246,653	458,473

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama & Speech	\$ 1,068	17,532	16,640	1,960
Music	482	11,190	11,672	0
Instrumental Music	0	4,987	4,360	627
Iron Man/Weight Room	948	182	0	1,130
Cross Country	451	557	859	149
Boys Basketball	3,409	10,470	8,757	5,122
Football	7,969	13,384	11,949	9,404
Baseball	1,313	3,034	3,178	1,169
Boys Track	79	3,106	2,527	658
Wrestling	1,243	4,199	4,741	701
Girls Basketball	5,518	11,960	15,133	2,345
Volleyball	631	4,257	4,655	233
Softball	1,824	5,509	3,963	3,370
Girls Track	1,607	2,265	2,041	1,831
Post Prom	3,035	24,784	22,809	5,010
German	1,087	168	0	1,255
Spanish	8,209	8,428	8,561	8,076
Student Council	1,157	3,470	3,412	1,215
Academic Excellence	0	791	791	0
National Honors Society	0	76	76	0
Spirit Club	200	2,255	2,455	0
Drill Team	4,042	8,278	8,773	3,547
Color Guard	496	0	0	496
Yearbook	7,149	12,202	10,767	8,584
Earlville Elem.	7,604	800	5,408	2,996
Johnston Elem.	9,270	0	7,805	1,465
Delhi Elem.	6,915	2,650	8,654	911
Music Dept Trip	9,247	7,158	4,102	12,303
Band Uniform	2,868	212	206	2,874
Art	36	0	0	36
Class of 2008	1,533	209	1,742	0
Class of 2009	704	3,864	3,613	955
Class of 2010	331	1	0	332
Class of 2011	0	180	54	126
Assemblies	2,596	56	660	1,992
Athletics Middle School	0	8,378	8,613	(235)
Golf	0	1,024	1,024	0
FFA	568	22,807	22,264	1,111
Student Services	(3,379)	27,866	24,126	361
Total	\$ 90,210	228,289	236,390	82,109

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
ASSETS				
Cash and pooled investments	\$ 689	739	3,001	4,429
LIABILITIES				
	0	0	0	0
NET ASSETS				
Reserved for scholarships	\$ 689	739	3,001	4,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund			
	Krogman Scholarship	Bacon Scholarship	Gull Memorial	Total
Additions:				
Local sources:				
Interest income	\$ 41	41	115	197
Deductions:				
Instruction	0	0	0	0
Changes in net assets	41	41	115	197
Net assets beginning of year	648	698	2,886	4,232
Net assets end of year	\$ 689	739	3,001	4,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,981,260	3,969,223	3,693,609	3,648,364	3,419,986
Tuition	269,187	232,443	197,019	170,199	191,156
Other	484,058	461,615	637,045	391,206	365,966
State sources	3,902,425	3,584,731	3,593,272	3,580,337	3,292,486
Federal sources	234,154	231,111	230,398	231,511	235,414
Total	<u>\$ 8,871,084</u>	<u>8,479,123</u>	<u>8,351,343</u>	<u>8,021,617</u>	<u>7,505,008</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,541,548	3,130,332	3,086,546	3,046,995	3,338,473
Special instruction	780,096	718,045	707,322	572,247	770,323
Other instruction	822,844	714,254	687,782	888,338	722,273
Support services:					
Student services	256,352	451,747	223,028	203,075	201,290
Instructional staff services	245,720	254,587	241,523	185,982	171,906
Administration services	808,280	766,278	793,089	754,983	731,626
Operation and maintenance of plant services	714,956	716,412	715,716	742,104	670,199
Transportation services	394,619	447,872	329,547	375,104	340,644
Other expenditures:					
Facilities acquisitions	87,761	77,046	20,615	76,052	84,883
Long-term debt:					
Principal	410,000	250,000	350,000	335,000	320,000
Interest	198,590	362,789	282,665	298,643	313,422
AEA flowthrough	294,633	279,049	272,957	273,089	273,552
Total	<u>\$ 8,555,399</u>	<u>8,168,411</u>	<u>7,710,790</u>	<u>7,751,612</u>	<u>7,938,591</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Maquoketa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Maquoketa Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Maquoketa Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Maquoketa Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Maquoketa Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Maquoketa Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

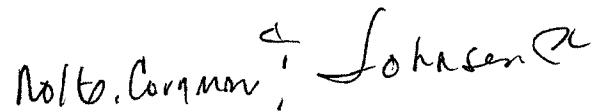
As part of obtaining reasonable assurance about whether Maquoketa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Maquoketa Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Maquoketa Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Valley Community School District and other parties to whom Maquoketa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maquoketa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson" with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2009

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Receipts are posted and bank deposits are prepared by the same person, but they are verified and compared to bank deposits by a separate individual. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to look for new alternatives to internal control that will enhance our segregation of duties.

Conclusion - Response accepted.

I-B-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as overtime issues.

Response - We have implemented procedures to comply with the Department of Labor requirements.

Conclusion - Response accepted.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kay Harris, Board Member Spouse owns Harris Electric	Repairs	\$1,329
Donna Pilgrim, Business Manager Owns Accent Connection	Supplies	\$162

In accordance with Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of the Board Member, do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's business manager do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Corrective Transfer - We noted during our audit that the District is currently making purchases from the Special Revenue, Physical Plant and Equipment Levy(PPEL) and Capital Projects Funds, which do not appear to be in compliance with Chapters 423 and 298 of the Code of Iowa. The District paid for equipment less than \$500 per single unit, which is not allowed per Chapter 298 of the Code of Iowa and would be more appropriate from the General Fund.

Recommendation - The District should review their procedures and Chapters 298 and 423 of the Iowa Code, which provides allowable expenses from the PPEL and Capital Projects Funds.

The District should make a corrective transfer from the General Fund to the PPEL Fund of \$3,685.70. This amount is comprised of purchases made from the PPEL Fund for \$499.00 for an air conditioning unit in the 2006-07 fiscal year, six library tables for \$2,829.60, two tables for \$296.00 and paper supplies in the amount of \$61.10 in the 2007-08 fiscal year .

The District also, needs to make a corrective transfer of \$778.02 from the General Fund to the Capital Projects Fund for equipment under the \$500 per item threshold. This is for the purchases of sixteen folding chairs for \$317.28 and fifty work stations for \$460.74, in the 2006-07 fiscal year.

Response - We have made the corrective transfers and will continue to monitor allowable expenditures in the PPEL and Capital Projects Funds.

Conclusion - Response accepted.